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Safeway Stores, Incorporated
Annual Report 1981

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SAFEWAY

Executive Offices
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Oakland, California 94660
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The Chase Manhattan Bank (National Association),
New York, New York and
The Crocker National Bank, San Francisco, California

Registrars
The Chase Manhattan Bank (National Association),
New York, New York and
The Crocker National Bank, San Francisco, California

Accountants
Peat, Marwick, Mitchell & Co.

10-K Report
A facsimile of Safeway's 1981 10-K Report filed with the Securities and Exchange Commission may be obtained by writing the Corporate Controller at our executive offices.

Annual Meeting
The 1982 Annual Meeting of Stockholders will be held on May 18, 1982. In connection with this meeting, proxies will be solicited by the management. A notice of the meeting, together with a proxy statement and a form of proxy, will be mailed April 2, 1982. This Annual Report does not constitute part of the proxy soliciting material.

Shoppers are noting . . .

There are subtle changes. To varying degrees, most shoppers are beginning to notice a gradual but dramatic transformation.

A new Safeway is emerging.

Our Company's traditional "low profile" image has been shed. The world's largest supermarket chain is pointing the way in adapting to consumer wants and needs in the 1980's.

Throughout the Company there is a feeling of quiet confidence. And a ground swell of sales momentum is building.

HIGHLIGHTS (in thousands, except per share figures)

	1981	1980 (53 weeks)	1979
Sales	$16,580,318	$15,102,673	$13,717,861
Net Income	114,556	119,368	143,323
— Per Share	4.39	4.57	5.49
Dividends Per Share	2.60	2.60	2.60
Stockholders' Equity	1,110,754	1,064,098	1,012,614
— Per Share	42.53	40.75	38.77
Market Price Range	37¾ – 24½	36¼ – 26	44 – 33⅝

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CHAIRMAN'S MESSAGE

Peter A. Magowan

Safeway's 1981 consolidated sales totaled nearly $16.6 billion, the most ever achieved by a retail food firm. This represented an increase of 9.8% over the previous 53-week year, and of 11.9% after adjusting for the extra week.

Net income was $114.6 million in 1981, off 4% from the $119.4 million registered in the 53-week period of 1980. These figures, representing earnings per share of $4.39 and $4.57, respectively, reflect several non-operating factors which had a favorable impact on fourth quarter results (see the Financial section for details).

A recent Louis Harris poll showed that 71% of Americans want business management to pay less attention to short term profits and more to long term gains. This is very much in line with our own game plan. We have every reason to believe that you, as we, are interested in building a strong base on which to grow and prosper.

To insure this sound growth we have been doing a number of things in recent weeks and months, many of which have been outlined in earlier reports to Safeway shareholders. Probably the most important of these has been a concerted effort to become price competitive, market by market — and just as important, to let food shoppers *know* that we are price competitive. We have recognized a real need to prevent erosion of sales position, and to build and hold a reputation for good prices and good values. This has involved both an aggressive program to provide these values and aggressive merchandising and advertising efforts to demonstrate them.

This program is paying off. Annual sales rose significantly in the face of a steadily declining inflation rate and in an atmosphere of "trading down" and general caution in consumer buying. This meant more tonnage as well as more dollars. Another healthy trend — many more shoppers began calling Safeway "my store"; we recorded 9 million more customer transactions in 1981 than in 1980 with one less week of operation. Many of these were customers of newly opened stores, but we also realized encouraging gains in "continuing" stores. Moreover, the sales momentum continued to build through the year. Whereas during the year 1980 our sales were up 8.0% (after making allowance for the 53-week period), in the first half of 1981 they were up 11.5% and in the last half they were up 12.3%. This strong pattern is continuing in 1982.

It is not enough just to provide good prices and good values. If we are to maintain our competitive position we must also offer good shopping facilities. Despite the short-term economic downtrend we have persisted with a substantial building program, with capital expenditures targeted at approximately $500 million annually. During each of the past two years we have added approximately 160

stores (including 33 in a recent Australian acquisition) as compared to an average of 112 during the five previous years. The 1982 program will show a somewhat reduced pace because of slowdowns in shopping center development, but we presently have 90 stores under construction and considerably more in the pipeline.

In tandem with the new store program we have been remodeling a great many existing stores to incorporate special features which we believe are essential to a true superstore, e.g. nutrition centers, pharmacies, special cheese and deli operations, photo and gift centers, and the like. During 1981 we succeeded in getting behind us a very substantial share of the cost and workload of making these conversions, and can now look forward to substantial sales from these added features in 1982 and the years ahead.

Another step — we are placing major emphasis on forward planning, so we can adapt to changes in the market environment. Not only are we doing more in the way of internal strategic and operational planning, but we are seeking help from outside experts — some of whom we have added to the payroll to operate specialty departments, and some who have been employed as project consultants. "What will we be doing five years from now?" is a question taking precedence over "What did we do last year?"

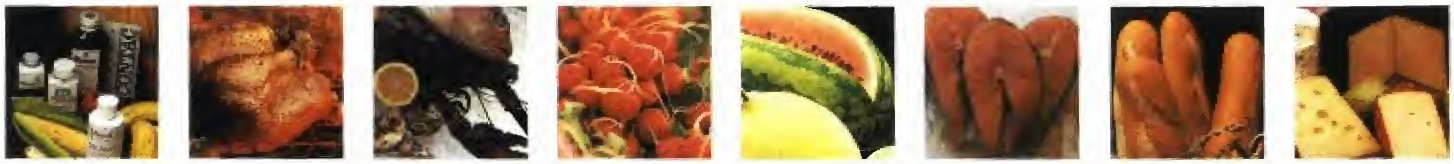
One phase of this planning is consumer research. We cannot satisfy shopper needs unless we know what they are. Through a comprehensive program of surveys on buying habits and opinions we continually seek to determine what consumers are looking for and what they think of Safeway. These customers, and prospective customers, are becoming increasingly sophisticated and demanding in their shopping requirements, and it behooves us to pay heed. We are finding that they are vitally interested in low prices, yes, but also in many other things that contribute to their shopping satisfaction. We have taken constructive steps to implement a number of their suggestions, and believe that these have been at least partially instrumental (along with prices) in achieving the sales gains we have enjoyed.

Sales growth is the major key to longer range profitability, but expense control is also highly important. One area of expense to which we have paid particular attention is energy; store utility costs are now exceeding rental costs in many cases. We have recently installed 967 power management systems in our U.S. operations. Through organized control of energy usage we have been able to achieve rather dramatic results without sacrificing customer comfort. Another important development has been a reduction in the number of employee accidents, which represent losses both in money and productivity. A significant downturn in the accident rate has been achieved during the last two years through a variety of professional prevention programs. Our stepped-up backhaul program is still another example of cost saving; in many instances we are now able to make more efficient use of our trucking fleets by picking up merchandise from manufacturers' plants on return trips to our own warehouses.

As explained in more detail elsewhere in this report we are proceeding with an aggressive program in the international field. These areas have been important contributors to corporate sales and profits, and because of our long history of successful involvement we believe Safeway has a unique opportunity to benefit from such ventures. In the past 24 months we have made two acquisitions in Australia, have extended our operations in Saudi Arabia, have entered into a joint venture in Mexico, have associated with a major trading group in Japan, and have expanded overseas markets for our private label program.

At its February 1982 meeting, the Board of Directors elected two new directors: James R. Harvey, president and chief executive officer of Transamerica Corporation, and Harry D. Sunderland, senior vice president and chief financial officer of Safeway (who was also elected treasurer). In further action the Board accepted the resignation of Clifford L. Gant, who is retiring from his positions as controller and treasurer; named Neils V. Lawson as a senior vice president; F. J. Dale as vice president and controller; and Harvey K. Naito and J. L. Alm as vice presidents.

The economy is currently in a recession and we do not underestimate its impact on business and consumers. But neither do we believe in recession psychology. As Donald A. Kendall, chairman of the U.S. Chamber of Commerce, said recently: "Let's not resign ourselves to squabbling over slices of the existing economic pie. We can and must create a bigger pie so that the slices for all citizens grow larger." As for ourselves we are rebuilding, revitalizing, recharging — and this will continue. To use a sports analogy, we are well along with our game plan. We have a sound program and a well rounded, aggressive team. We look forward to many winning seasons.



"Most of the plans, the programs, and the numerous changes we have inaugurated in recent years have been based mainly on the idea that we need to hold and build sales in order to generate better profits. In 1981, as detailed in this report, we *have* built sales and we *have* achieved a sales momentum that is carrying forward to a stronger 1982.

Much of the credit for this performance goes to our skilled management team. I am proud to use this opportunity to introduce just a few of them to you. Namely, six Senior Vice Presidents and some of their talented staff members. In the pages which follow, each of them will describe their major functions and comment on programs recently completed or underway.

Although many of these top management people are not directly involved in sales, their entire efforts are devoted to programs which will assist our retail divisions in achieving sales and profits. Our objective is to give every department a profit orientation so each can achieve that "little bit more".

Times are changing and customers today are quite different from customers a few years back If we are to keep pace, Safeway must continue to change too. As you will read in the following pages, our management team is convinced that long-term profitability is predicated on keeping our sights focused on the shopping patterns of our customers and the environment in which we operate.

We know the value of making Safeway not only the friendliest place to shop but also a place where quality is unquestioned, where pricing is competitive, and where the customers' needs can always be met.

What progress are we making in this regard? First of all, we have been anticipating population shifts. We have a strong and up-to-date response to customers' needs in many areas where population has been growing most rapidly.

Our customer profile is also changing. Former housewives are now in the labor market. More men are now sharing in the shopping. The senior citizen market is growing in volume. Today's shopper is better educated, more demanding and greatly motivated by convenience. Many are evidencing increasing interest in health and nutrition.

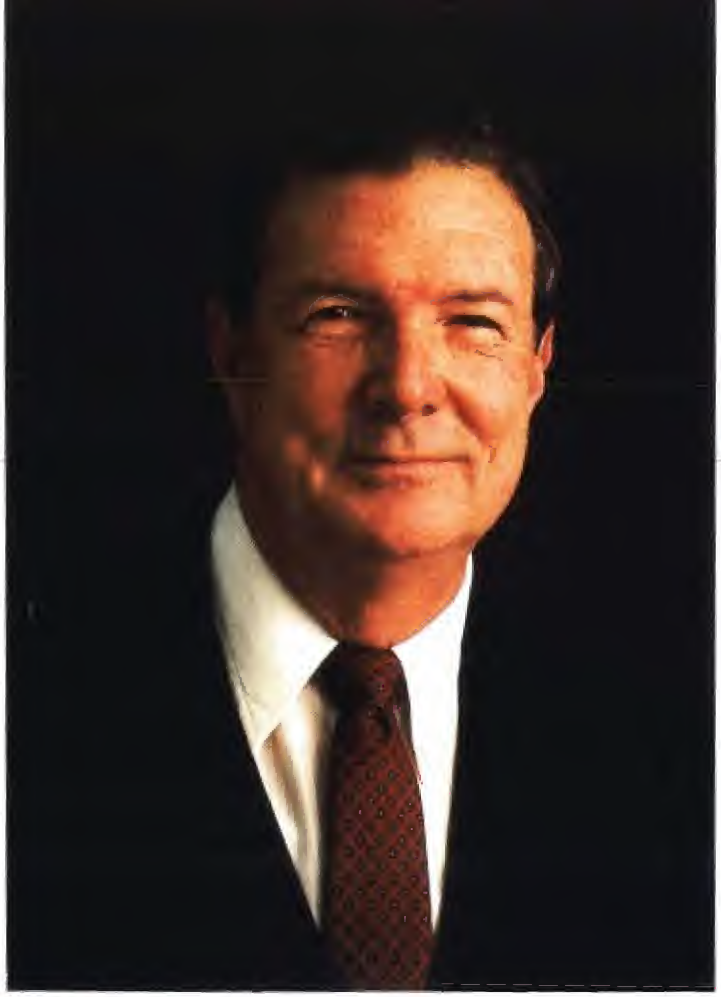
And there is a definite trend toward late afternoon and early evening shopping.

There is ever growing demand for quality as there are customers who look for special foods and maximal nutrition.

To see another reflection of changing times, one has only to survey the numerous types of store formats that have appeared in the last few years — warehouse type stores, limited assortment stores, combination stores, health food stores, gourmet stores, and specialty stores with emphasis on produce and natural foods. The supermarket is now competing with virtually *every other* kind of retailer — convenience store, drug store, hardware store, variety discount store, liquor shop, bakery, florist, fast food outlet, etc.

New and lucrative markets have been opening up overseas, where our operations account for a growing share of corporate sales and profits. We have a special section on this important development.

No one likes to see litter. And we in Safeway are



Dale L. Lynch

PRESIDENT'S MESSAGE

doing something about it. Last year we started an aluminum can recycling program which resulted in 35 million pounds or 1,750 truckloads of cans delivered to recycling centers. If we could put these cans end-to-end, they would have the capability of circling our globe more than three times.

It is unlikely that anyone expected such a response, not even the aluminum companies. Virtually all of our U.S. stores participated. (Stores in Oregon and Iowa were exceptions since legislation mandates per-can deposits on containers.)

Safeway people are very interested in helping to "Keep America Beautiful."

Sales, of course, are all-important but cost control also has to be a vital factor in squeezing out profits in today's highly competitive climate. Our long-range studies have indicated that many of our operations can and should be streamlined, and appropriate action is being taken.

We recognize that our most valuable asset in serving the needs of our customers is our employee work force. We are now spending more time in talking with them and listening carefully to them. To do "a little bit more" and to make Safeway stores even friendlier places to shop, the dedication of all our people must be a primary consideration. In connection with this we have recently completed a survey of about 33,000 employees and have implemented many of their suggestions.

RETAIL

James A. Rowland began his Safeway career in 1938 as a part-time food clerk in Little Rock, Arkansas. He has served in various management capacities including Division and Regional Manager, and Vice President–Administration. He was elected to his present position as Senior Vice President in charge of the Company's U.S. retail operations in 1977.

"Our Company embarked on a challenging year in 1981. Early on we made the decision to take more aggressive competitive action in order to protect our market position. As a Company we cannot afford to lose sales, the most important ingredient of profit growth.

Today the cost of doing business is going up so rapidly that it can't be offset by raising prices. Instead, we must balance costs by maintaining and expanding our sales base. Selling is our business. We are putting a great deal of effort into attracting new customers to our stores. It is important that we not only provide consumers with quality products, but that we present these products attractively. Just one minor example of this is our emphasis on appealing displays devoted to the promotion of popular national brands.

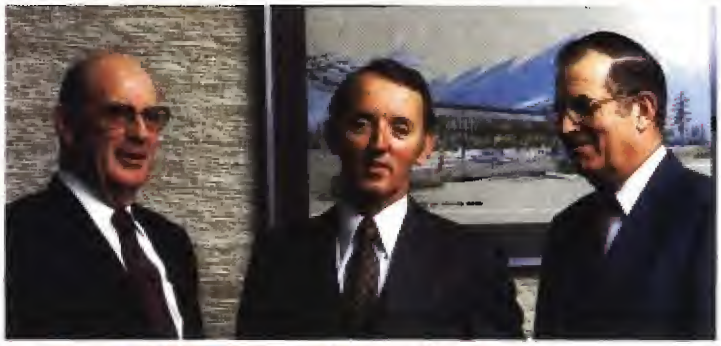
A typical display for Western Days promotion

Continuing with new directions announced in our 1980 report, we were able to convert a number of additional older and smaller stores into Food Barns and Liquor Barns. We now have 38 Food Barns and 25 Liquor Barns. This new effort has been made possible primarily by favorable long-term leases. Such conversions allow us to maintain a sales base in stores that would otherwise have been closed. Although the concept is fairly new, these ventures are doing well, and we expect the trend to continue. As we gain experience, customers, and sales, we will be demonstrating a new approach to retailing.

Another significant change made in 1981 dealt with our regional organization structure in the United States. Managers of various geographical areas, originally designated as Safeway Regions in 1972, were previously headquartered in cities central to their respective territories. In 1981 we brought them to our administrative office headquarters. Horace Justice, Regional Manager for the Dallas, El Paso and Houston Divisions, will retire at the

end of the first quarter 1982 after 47 years with the Company, leaving three Regional Managers now based in Oakland. John Bell covers the four California Divisions, Phoenix, Richmond, and Washington, D.C. William Maloney manages the three Texas Divisions, Tulsa, Oklahoma City, Kansas City, Little Rock and Omaha. Seattle, Portland, Spokane, Butte, Salt Lake City and Denver are overseen by Fred MacRae. Having our retail management team centrally located allows us to maintain more effective communications and to implement innovations much faster.

Figures reported elsewhere in this report attest to the strong sales momentum which carried through the year. With these new directions and changes, we expect this sales momentum to continue."



U.S. Regional Managers—V.P. Fred MacRae, V.P. William Maloney, and V.P. John Bell

MARKETING

John H. Prinster is Senior Vice President and Director of Marketing. He has overall responsibility for Safeway's grocery, meat, produce, variety, bakery, delicatessen, natural foods and alcoholic beverage merchandising programs. A native of Grand Junction, Colorado, he joined Safeway in 1963 as a buyer in the Company's San Francisco Division.

"No longer is Safeway accused of being a follower rather than a leader. Last year was living proof that Safeway enjoys a role as the dynamic leader of the food industry. The future is very much a part of today for us as we explore new ways to serve the needs of present and prospective customers.

Merchandising team — From left to right: Seated — Arthur Patch, John Prinster, Ronald Puccinelli, and John Michiels. Standing — Wayne Leader, Frank Srubar, Robert Backovich, Timothy Hopkins, and Barbara Jackman

During 1981 a new, more creative and aggressive approach to merchandising permeated all our store operations. And it is paying off. Just a few examples:

1. Safeway is now the largest retail seller of magazines and paperback books in the world. In just one three-week period last year, we sold 450,000 copies of James Clavell's novel SHOGUN, or one in five of the total printed.

2. Safeway is the largest national outlet for greeting cards, having more than doubled sales in this category in the last two years.

3. By the end of 1981 we had more than 700 full-line liquor departments, making us the world's largest retailer of alcoholic beverages.

One of the most important steps taken in 1981 was the establishment of a headquarters team of recognized merchandising experts. Based in Oakland, we now have separate Merchandising Managers for Grocery, Meat, Produce, Non-foods, Bakery, Delicatessen, Natural Foods and Alcoholic Beverages. These corporate merchandisers advise and counsel their counterparts in the respective retail divisions.

Consumer research has shown that our customers greatly appreciate the quality and variety to be found in our produce sections.

At the end of 1981 we had 215 full line pharmacies, compared to only 10 two years earlier. In addition

to the prescription business they generate, these pharmacies stimulate the movement of supplementary over-the-counter drug items and health and beauty aids of all types.

We had 115 service cheese shops, offering customers a full selection of domestic and imported cheeses.

We had 250 delicatessens and more than 700 in-store bakeries in operation.

In response to widespread consumer interest in physical fitness, we have opened some 400 in-store Natural Food Centers carrying between 2,000 and 3,000 items previously found only in health food stores. As late as a year ago we had only 19 such centers.

Our hyperbin program (see picture on page 6) offers one more plus when it comes to in-store merchandising.

We are making our stores more exciting places to shop. Through more creative merchandising efforts we are attracting more customers and serving them better than ever before.

SUPPLY

Edward N. Henney is in charge of Safeway's Supply operations. He joined the Company in 1951 as a plant manager trainee and has held various management positions in production, marketing, and purchasing. As Brookside Division Manager, he was elected Vice President in 1972. In 1979 Mr. Henney became a Senior Vice President and was elected to the Board of Directors.

"The growth of Safeway Brands has been dramatic. In North America we now have nearly 5,000 private label items.

In marketing Safeway Brands we typically have lower costs, so we can price our brands lower than national brands of comparable quality. This choice provides a value for the customer.

We manufacture many of our own Safeway Brands. We operate milk plants, bakeries, ice cream plants; we roast our own coffee; manufacture jams, jellies, detergents, soft drinks, luncheon meats, vegetable oils and many additional products. Other Safeway Brands are made to our specifications by carefully

selected manufacturers or processors. Among these items are such things as canned fruits and vegetables, frozen foods, paper products, health and beauty aids, men's and women's hosiery,

kitchen textiles and other variety items.

A new bread plant was opened in Houston, Texas in 1981. This followed a very successful opening of a dry pet food plant in Emporia, Kansas, which is now running double shifts.

Early in 1982 we also will be opening a milk plant in Houston. This will provide our stores there with milk of a quality difficult to find from outside sources.

We are continuing to make headway with our private label export program. In addition to regular exports to Australia and Saudi Arabia, we are now sending products to Japan and other countries in the Far East, as well as initiating additional new export ventures in the Middle East and South America.

Traditionally, we have *imported* products from almost all parts of the world. Japan, Korea, Taiwan and Hong Kong are becoming increasingly prominent in this picture.

Last year we developed, with Landor Associates, a "ribbon" design that will appear on the packaging of all Safeway "S" Brands. This design will make it easier for our customers to readily identify the finest quality Safeway Brands.

The supply divisions' role in maintaining sales momentum includes the responsibility to look for opportunities to open new, profitable facilities as well as joint venture possibilities. This is an integral part of our continuous effort to improve product quality and profitability."

PERSONNEL

John L. Repass is in charge of Personnel Services, Management Development and Industrial Relations. He joined Safeway in 1956 and assumed his present position in 1978 as Vice President and became a Senior Vice President in 1979.

"You won't find our most important assets listed in our balance sheet. Rather, you'll find them working in our stores, warehouses, plants and offices. Some 150,000 of we "job holders" have the responsibility of meeting the needs of our millions of customers.

In discharging this responsibility it is important that each of us as employees be knowledgeable about events within our own company. Also that we receive personal recognition for our contributions in serving our neighbors across the street and across the world. We recognize that it is self-image that sets the horizons of individual accomplishment. Our new Annual Report to Employees is a parallel attempt, along with this shareholders' report, to communicate the excitement of Safeway's growing influence on millions of people... and that goes beyond groceries and goods.

Women now represent an increasingly important part of our management effort. In the last four years we have had a 58% increase in the number of female store managers and 68% more female assistant managers — assuring a ready pool for advancement.

Safeway is a heavily unionized company with more than 1,300 different labor contracts. We believe that improving two-way communications will help reduce confrontation.

To assist in these efforts at better communication and greater self-fulfillment, many innovative programs have recently been established in the personnel field. They include, to name just a few:

pre-retirement counseling; expanded and improved employee newsletters; check cashing cards for employees; new service award programs; attractive uniforms; more emphasis on S.M.T. and Retail Career Development Centers; upgraded hiring standards; experimentation with quality control circles; better performance evaluations; greater use of education reimbursement program; professional weight lifting program to reduce accidents; expanded benefits.

By improving both our communications network and our work environment we have what it takes to become a better over-all team."

FINANCE

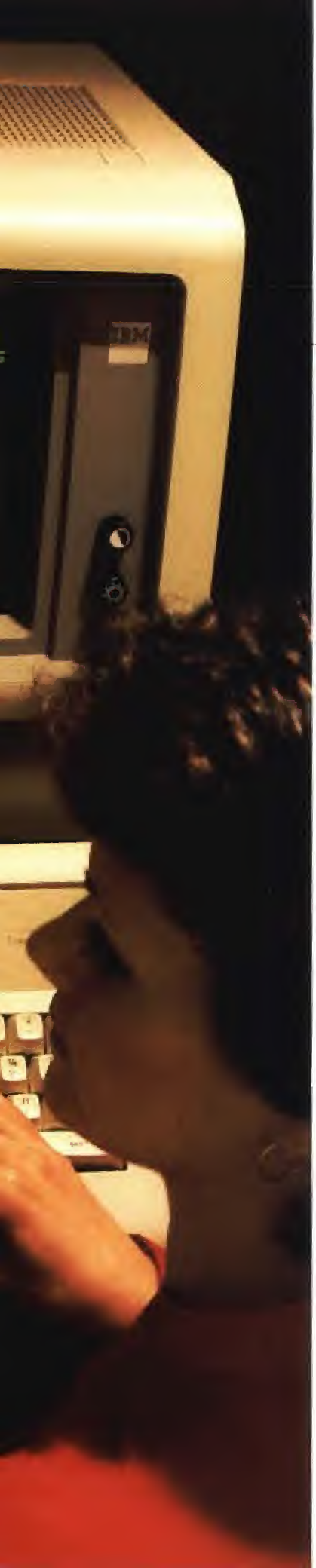
Harry D. Sunderland joined Safeway in 1962 as an attorney in the corporate Real Estate Division. After holding the position of Vice President in charge of Real Estate Law he was appointed Senior Vice President, Finance in 1979.

"Just about everything we do "backstage" is geared to the achievement of bottom line results. In Finance our charge is two-fold: first, to develop adequate financing at reasonable cost to assure that our retail operations will have the necessary facilities, merchandise and payroll; secondly, to safeguard the handling of our financial resources to get optimum mileage from the funds which are generated.

The successful functioning of these activities has been largely due to efforts of the gentlemen pictured on this page. Clifford Gant (Controller) along with Harvey Naito and Joffa Dale (upper photo) have developed sophisticated procedures for better managing of our cash as well as accounting for it. Neils Lawson (Senior V.P.) together with John Nie and Nicholas Pisarev in our M.I.S. group (lower photo) have achieved significant results in harnessing the vast amount of accounting and financial data needed to give management the appropriate information for sound business decisions.

Another person (not pictured) who has contributed importantly is Patrick Totman, vice president and manager of real estate finance. During the year 1981 alone he arranged for over $150 million in real estate and equipment financing through a variety of innovative methods.

In addition to these internal matters, customer service is being given increasing attention. Customers have long been familiar with our check cashing facility, and have relied on this service to the extent that we now cash more checks than any bank in the world. As an extension of this we are exploring various possibilities for providing added financial services within the retail stores, such as automatic teller machines, manned booths, etc. The objective will be to enable customers to handle many of their routine banking and financial transactions while doing their food shopping."



Robert J. Van Gemert, Senior Vice President, Secretary and General Counsel joined Safeway's legal staff in 1951. In 1965 he became Assistant General Counsel and assumed his present position in 1969.

"It's an over-simplification to think of Safeway as just a retailer. Its stores are merely the visible end of a pipeline that touches many countries, industries and occupations. To support its stores Safeway operates many distribution warehouses, manufacturing and processing plants, buying offices, and one of the world's largest private transportation fleets. Daily, Safeway serves not just millions of customers, but also deals with thousands of suppliers, purchases and sells real estate and equipment, and engages in a myriad of other activities. All of these activities must be conducted in compliance with a complex structure of contractual provisions and federal, state and local laws and regulations, both domestic and foreign.

The sheer size and complexity of Safeway's operations inevitably expose it to litigation. Despite excellent policies, there are accidents in our stores and on the highways; there are inadvertent violations of government regulations; some employee disputes must be arbitrated, shoplifters must be apprehended and prosecuted.

It is not then surprising that at any one time Safeway is defending literally hundreds of lawsuits. These run the gamut from actions in Small Claims Courts involving a few dollars, to antitrust and civil rights cases seeking damages in large amounts. Some of these cases are so complex that they take many years to come to trial — if ever. For example, the meat litigation described in the Financial section of this report has been pending for nearly a decade!

On the other side, Safeway frequently initiates lawsuits to protect or enforce its legal rights. These include actions for breach of contract; to prevent would-be users of our name and "S" symbol from falsely claiming an association with the Company; to recover damages where Safeway has been the victim of antitrust violations by others. In recent years,

Staff attorney, Ellen Lester

Safeway has recovered substantial amounts in damages or in settlements from antitrust defendants.

Safeway has a staff of 17 "house" counsel, all but one located at Corporate headquarters. They include specialists in real estate law, securities and trademark law, labor and civil rights law, and antitrust and consumer protection law.

Their primary mission is to assist management in charting courses that will minimize the potential for litigation. This involves advising management on legal requirements in connection with proposed business ventures, and establishing procedures to insure compliance with legal requirements.

A second major function of house counsel is to supervise and guide outside counsel in the management and handling of litigation.

And, finally, Safeway's house counsel help minimize legal expense by handling, in-house, such matters as government investigations, acquisitions and joint ventures, real estate transactions, the preparation of contracts, and requests for legal advice from the Company's various operations.

Considering its size and exposure, Safeway's legal problems have been minimal. Generally, it has been successful in avoiding major litigation, and in defending that which was unavoidable. As General Counsel, I would like to think that this is due to the efforts of Safeway's lawyers. However, realistically viewed, principal credit is due to the philosophy of Safeway's management over the years to deal fairly and honestly with our customers, employees, suppliers, and all others with whom we do business."

INTERNATIONAL

Safeway's international thrust is a multi-phased activity.

Retail subsidiaries. First of all, we have operating subsidiaries in four major areas outside the United States—in Canada, the United

Kingdom, West Germany and Australia.

We entered Canada in 1929, and have enjoyed a long and successful tenure there. The major coverage of Canada Safeway Limited is in the West, with operations extending from Victoria to Toronto. There are presently 290 supermarkets with supporting supply plants and other backstage facilities. We entered the United Kingdom, Germany and

President Dale Lynch confers with John Kimball, Vice President for International Operations

Australia in the early Sixties and have since followed a steady expansion program. The three overseas divisions now include 227 stores.

As shown below, foreign operations accounted for over $4 billion in sales (U.S. dollars) in 1981—close to one-fourth of total corporate volume. After adjusting for an extra week in the previous fiscal year, this represented a gain of 16%.

Joint venture. In the summer of 1981 we entered into a joint venture agreement with Casa Ley, S. A. of Mexico, giving us a 49% interest in present and future operations of this aggressive West Coast chain. Headquartered in Culiacan, Casa Ley operates 8 "autoservicios" (large food-variety goods combination stores), 2 specialty clothing stores and 3 wholesale outlets. Significant expansion is contemplated in this fast-growing area of Mexico.

Management contracts. Safeway is now operating, on behalf of outside owners, two large supermarkets in Saudi Arabia for which we have also licensed use of the Safeway name. A third is due for opening about press time. These stores have been well received by food shoppers, both Westerners and Arabs alike, and have received much favorable publicity.

Numerous additional areas are being explored for possible extension of the management contract approach. Another potential variation of this process of "selling expertise" is the provision of consulting help in certain circumstances where actual involvement in the store operations would not be appropriate.

Import-export. Another phase of our international operations, covered in more detail in the "Supply" section of this report, is the buying and selling of merchandise. Our long-established import activity is continually expanding, and we also are now putting emphasis on the development of overseas export markets for our private labels. A recently-announced association with the AIC trading group in Japan will provide an excellent vehicle for this two-way flow of product.

The delicatessen is a focal point in our German stores.

	No. Stores at Year-End	Sales (Millions of U.S. $)
Canada	290	$2,405
United Kingdom	95	871
Australia	107	708
Germany	25	104
	517	$4,088

Safeway Around The Globe

As of fiscal year-end, Safeway and its subsidiaries operated 2,477 stores in the United States, Canada, the United Kingdom, West Germany and Australia. In 1981 we opened 159 food stores including ten Liquor Barns, one Farm Style store, one Home Works store, and 33 acquired Jack the Slasher stores (Australia).

United States In the U.S., Safeway operates stores in 29 states and the District of Columbia. We are well represented in most of the fastest growing areas of the country in terms of population, income, employment and housing starts.

Canada For more than half a century Canada Safeway Limited has been the premier food retailer in the west. On the strength of its consumer-oriented merchandising programs, outlook for the eighties is continued steady growth.

U.S. Regional Manager, John Bell
Los Angeles Division, Albert J. Fulton, 172 Stores
Phoenix Division, John W. Warthan, 72 Stores
Richmond Division, Ralph C. Ward, 77 Stores
Sacramento Division, John R. Maxwell, 86 Stores
San Diego Division, William M. Langley, 51 Stores
San Francisco Division, Eldon W. Starkey, 198 Stores
Washington, D.C. Division, Donald J. Smith, 157 Stores

U.S. Regional Manager, Fred E. MacRae
Butte Division, Burton R. Bolesworth, 35 Stores
Denver Division, Pete P. Martin, 141 Stores
Portland Division, William D. Lowe, 94 Stores
Salt Lake City Division, Gene J. Lawson, 64 Stores
Seattle Division, Gerald V. Curtright, 126 Stores
Spokane Division, John A. Cartales, 41 Stores

U.S. Regional Manager, William H. Maloney
Dallas Division, Carey A. Ford, 152 Stores
El Paso Division, Donald J. Phillips, 54 Stores
Houston Division, Sam E. Raburn, 95 Stores

United Kingdom Safeway Food Stores Limited, our subsidiary in the United Kingdom, has an aggressive store building program under way. It soon will be operating over 100 supermarkets in England and Scotland.

West Germany Our West German subsidiary, Safeway Supermarkt GmbH, has a reputation for outstanding perishables. Delicatessen operations, in particular, are very popular with shoppers. Two new stores were recently opened with four more planned for 1982.

Australia Australian Safeway Limited, a well established firm in Melbourne and Sydney, the country's two largest cities, should soon be widely recognized in the Brisbane metropolitan area, Australia's third largest.

Kansas City Division, Donald Gates, 84 Stores
Little Rock Division, Allen Francis, 70 Stores
Oklahoma City Division, Forrest Woolery, 68 Stores
Omaha Division, James R. Smith, 70 Stores
Tulsa Division, Donald Cannon, 53 Stores

Canada, A. G. Anselmo
Calgary Division, Robert H. Kinnie, 46 Stores
Edmonton Division, D. L. Olson, 51 Stores
Regina Division, N. M. Knebel, 27 Stores
Toronto Division, Norman D. Fingler, 26 Stores
Vancouver Division, R. F. Hendy, 92 Stores
Winnipeg Division, Vern E. Fahey, 48 Stores

Other International, John S. Kimball
Australia Division, J. W. R. Pratt, 107 Stores
Germany Division, Manfred J. Filzek, 25 Stores
United Kingdom Division, T. E. Spratt, 95 Stores

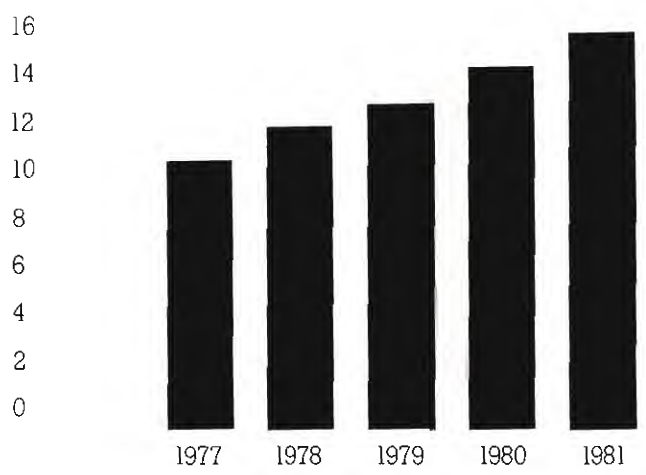
Mexico, Casa Ley, S.A. (Joint Venture), 13 Stores
Saudi Arabia (Management Contract), 2 Stores

FIVE YEAR SUMMARY

	1981	1980*	1979	1978	1977
Earnings:					
Sales	$16,580,318	$15,102,673	$13,717,861	$12,550,569	$11,249,398
Percent of annual increase	9.8%	10.1%	9.3%	11.6%	7.7%
Cost of sales	12,946,490	11,817,141	10,793,874	9,829,071	8,916,719
Gross profit	3,633,828	3,285,532	2,923,987	2,721,498	2,332,679
Percent of sales	21.9%	21.8%	21.3%	21.7%	20.7%
Operating and administrative expenses	3,365,544	3,000,627	2,620,415	2,371,949	2,082,246
Percent of sales	20.3%	19.9%	19.1%	18.9%	18.5%
Operating profit	268,284	284,905	303,572	349,549	250,433
Interest expense	120,393	99,614	91,276	74,110	70,104
Other income—net	(24,727)	(8,621)	(12,483)	(1,279)	(3,918)
Income taxes	58,062	74,544	81,456	130,600	81,942
Net income	$ 114,556	$ 119,368	$ 143,323	$ 146,118	$ 102,305
Percent of sales	.69%	.79%	1.04%	1.16%	.91%
Percent of average stockholders' equity	10.53%	11.50%	14.71%	16.37%	12.40%
Per share of common stock	$ 4.39	$ 4.57	$ 5.49	$ 5.60	$ 3.93
Cash dividends per share of common stock	2.60	2.60	2.60	2.30	2.20
Average shares of common stock outstanding	26,115,917	26,115,917	26,113,785	26,075,822	26,021,220
Financial Statistics:					
Working capital	$ 111,447	$ 112,749	$ 126,594	$ 213,193	$ 182,225
Current assets per dollar of current liabilities	1.08	1.10	1.12	1.22	1.22
Additions to property, net	362,914	377,954	421,846	287,037	314,441
Depreciation and amortization	228,592	206,374	183,955	166,623	148,024
Total assets	3,690,404	3,338,832	3,100,768	2,835,767	2,561,784
Long-term debt	1,137,616	1,051,229	955,656	880,734	836,633
Equity of common stockholders	1,110,754	1,064,098	1,012,614	936,374	848,587
Per share of common stock	42.53	40.75	38.77	35.88	32.58
Cash dividends on common stock	67,900	67,900	67,900	59,981	57,256
Other Statistics:					
Employees at end of year	157,411	150,012	148,876	144,243	139,865
Stores opened during year	159	160	104	111	126
Stores closed during year	98	169	115	103	136
Total stores at end of year	2,477	2,416	2,425	2,436	2,428
Total store area at year-end (thousands sq. ft.)	65,483	62,069	59,470	57,461	55,184
Average annual sales per store	$ 6,682	$ 6,072	$ 5,554	$ 5,098	$ 4,553
Market price range of common stock	37¾ – 24½	36¼ – 26	44 – 33⅜	46 – 35⅜	50⅜ – 39

Note. Dollars are in thousands except per share figures. *53 weeks.

Sales
In billions of dollars



Net income per share of common stock
In dollars

Results of Operations

Sales increased by 9.8% (11.9% when 1980 is adjusted to a comparable 52 weeks). Sales were $16.6 billion in 1981, up from $15.1 billion in 1980 (53 weeks) and $13.7 billion in 1979. In contrast to recent years, the 1981 sales increase significantly exceeded the 1981 rate of inflation for food in the U.S., and thus represented "real" growth.

Gross profits as a percent of sales were 21.9% in 1981, compared with 21.8% in 1980 and 21.3% in 1979. Gross profits were reduced by the application of the LIFO method of inventory valuation in the amount of $20.2, $45.5 and $43.7 million in 1981, 1980 and 1979, respectively.

Operating and administrative expenses increased to 20.3% of sales in 1981 from 19.9% in 1980 and 19.1% in 1979. This was due principally to increases in store employee costs which comprise the greatest portion of operating and administrative expenses. Rapidly rising utility costs have also contributed to higher operating expenses.

Interest expense increased to $120.4 million in 1981 from $99.6 million in 1980 and $91.3 million in 1979. These increases were caused by both higher interest rates and higher levels of borrowing.

Net *gains* on translation of foreign currencies totalled $8.5 million in 1981, while *losses* on translation of foreign currencies totalled $8.4 million in the preceding two years combined. Gains in 1981 resulted principally from the decline in the British pound Sterling combined with a deficit in working capital in the Company's United Kingdom subsidiary. Losses in 1979 and 1980 resulted principally from the decline in the Canadian dollar. The Company will in 1982 apply the new rules provided in Statement of Financial Accounting Standards No. 52, minimizing the gains or losses included in income in future years.

The provision for income taxes as a percent of pre-tax income was 33.6% in 1981, compared with 38.4% in 1980 and 36.2% in 1979. The decline in the rate for 1981 was caused principally by the impact of relatively constant investment tax credits in conjunction with lower pre-tax income, and the 1981 non-taxable gain on translation of foreign currencies compared with non-deductible losses in 1979 and 1980.

Net income decreased on a consolidated basis to $114.6 million in 1981 from $119.4 million in 1980 and $143.3 million in 1979, principally because of declines in earnings from U.S. operations. U.S. results for 1981 reflect an increased competitive posture on the part of the Company which yielded significant increases in "real" sales (after adjustment for inflation) at the expense of lower earnings. Results for 1981 were also affected by a major price war on the East Coast that has now ended.

See Note L for further information on the effects of inflation and changing prices on operating results.

Liquidity

The Company's consolidated working capital declined by $1.3 million in 1981, reducing the current ratio from 1.10 at year-end 1980 to 1.08 at year-end 1981. However, as approximately 60% of consolidated merchandise inventories are carried at LIFO cost, this portion of inventories is stated significantly below the current cost of replacement. If all inventories were stated on a FIFO basis, the Company's current ratio would have been 1.29, 1.32 and 1.31 at year-ends 1981, 1980 and 1979, respectively, and working capital would have been $387.8 million, $368.8 million and $337.2 million at the 1981, 1980 and 1979 year-ends.

During 1981, additional short-term funds were invested in higher inventory levels to take advantage of forward-buying opportunities economically advantageous to the Company. Year-end inventory levels increased $206.9 million over 1980. Because, on the average, the Company turns over its merchandise inventories every 5½ weeks (on a FIFO basis), this additional investment in inventory continues to be a ready source of funds.

The Company maintains sufficient credit lines to support its short-term financing needs. At the end of 1981, lines of credit and revolving credit agreements totalling $492 million were available. In 1981, the Company entered into a credit agreement with a number of banks providing up to $80 million in revolving credit financing through 1984. This agreement and similar agreements entered into in 1980 for $75 million support the Company's commercial paper financing. Accordingly, of the $235 million in commercial paper outstanding at year-end 1981, $155 million has been classified as a long-term obligation.

The Company has primarily utilized commercial paper backed by credit lines for its short-term needs. The average amount of commercial paper outstanding increased to $206 million in 1981 from $159 million in 1980 and $71 million in 1979.

Financing needs for both inventory and construction of facilities peak in the fourth quarter of each year. The maximum amount of aggregate short-term borrowings outstanding was $277 million in 1981, $221 million in 1980 and $239 million in 1979.

The cost of short-term funds has increased dramatically over the past two years. The Company paid an average interest rate on all short-term funds of 16.3% in 1981, 13.6% in 1980 and 11.7% in 1979.

Capital Resources

Capital expenditures increased to $518 million in 1981 from $493 million in 1980 and $436 million in 1979. These expenditures were used principally for new and remodeled stores. Capital expenditures for 1981 reflect the opening of 159 new stores, including 33 Jack the Slasher discount food stores acquired in Australia. Total square footage of retail facilities increased 5.5% in 1981, 4.4% in 1980 and 3.5% in 1979. The average size of 112 new conventional supermarket stores opened in 1981 was 40,000 square feet, reflecting the Company's continued commitment to the "super store" concept.

Nearly half of the capital expenditures have been for purchases of fixtures and equipment, amounting to $223 million in 1981, $212 million in 1980 and $189 million in 1979.

Plans for 1982 call for the opening of 122 new stores and total capital expenditures of $500 million.

Funds provided by operations are the major source of capital financing. Another significant source of funds, used for expansion and renewal of facilities, is mortgage and sale/leaseback financing which totalled $184 million in 1981, $121 million in 1980 and $91 million in 1979.

The Company will continue to examine other long-term financing alternatives in 1982 to supplement the Company's more traditional mortgage and sale/leaseback financing.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the 52 Weeks Ended January 2, 1982, the 53 Weeks Ended January 3, 1981, and the 52 Weeks Ended December 29, 1979
Safeway Stores, Incorporated and Subsidiaries (thousands except per share figures)

	1981	1980	1979
Sales	$16,580,318	$15,102,673	$13,717,861
Cost of sales	12,946,490	11,817,141	10,793,874
Gross profit	3,633,828	3,285,532	2,923,987
Operating and administrative expenses	3,365,544	3,000,627	2,620,415
Operating profit	268,284	284,905	303,572
Interest expense (Note C)	120,393	99,614	91,276
(Gain) loss on translation of foreign currencies	(8,496)	6,451	1,964
Other (income), net	(16,231)	(15,072)	(14,447)
Income before provision for income taxes	172,618	193,912	224,779
Provision for income taxes (Note D)	58,062	74,544	81,456
Net income (per share: $4.39, $4.57 and $5.49)	114,556	119,368	143,323
Retained earnings at beginning of period	957,135	905,651	830,189
Cash dividends on common stock (per share: $2.60)	(67,900)	(67,900)	(67,900)
Additions resulting from stock acquisitions	—	16	39
Retained earnings at end of period	$ 1,003,791	$ 957,135	$ 905,651

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the 52 Weeks Ended January 2, 1982, the 53 Weeks Ended January 3, 1981, and the 52 Weeks Ended December 29, 1979
Safeway Stores, Incorporated and Subsidiaries (thousands)

	1981	1980	1979
Funds provided:			
Net income	$114,556	$119,368	$143,323
Add charges (credits) to income not requiring funds:			
Depreciation and amortization	228,592	206,374	183,955
Increase in accrued claims and other liabilities	12,916	16,745	9,018
Increase (decrease) in deferred income taxes	10,443	(518)	(7,788)
Total funds provided from operations	366,507	341,969	328,508
Additions to long-term debt	173,781	160,432	124,708
Retirements or sales of property	155,416	115,051	14,082
	695,704	617,452	467,298
Funds used:			
Additions to property	518,330	493,005	435,928
Payments on long-term debt	87,394	64,859	49,786
Cash dividends on common stock	67,900	67,900	67,900
Addition to excess cost of investment in subsidiaries over net assets at date of acquisition	14,221	1,073	—
Other uses, net	9,161	4,460	283
	697,006	631,297	553,897
Decrease in working capital (Note O)	$ (1,302)	$(13,845)	$(86,599)

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As of January 2, 1982, January 3, 1981 and December 29, 1979
Safeway Stores, Incorporated and Subsidiaries (thousands)

Assets	1981	1980	1979
Current assets:			
Cash	$ 44,075	$ 115,758	$ 97,872
Receivables	72,180	56,633	60,094
Merchandise inventories (Note A):			
FIFO cost	1,495,303	1,268,156	1,191,931
Less LIFO reductions	276,339	256,093	210,626
	1,218,964	1,012,063	981,305
Prepaid expenses and other current assets	128,984	83,777	68,543
Total current assets	1,464,203	1,268,231	1,207,814
Other assets:			
Licenses, notes receivable and investments	40,814	31,758	27,391
Deferred income tax charges	—	2,104	1,586
Excess cost of investment in subsidiaries over net assets at date of acquisition, less amortization	16,555	3,036	2,180
	57,369	36,898	31,157
Property (Note G):			
Land	165,022	139,869	111,238
Buildings	240,919	183,230	153,202
Leasehold improvements	388,226	357,732	295,835
Fixtures and equipment	1,525,118	1,344,889	1,196,024
Transport equipment	158,279	162,516	153,839
Property under capital leases	1,198,993	1,226,900	1,218,270
	3,676,557	3,415,136	3,128,408
Less accumulated depreciation and amortization	1,507,725	1,381,433	1,266,611
	2,168,832	2,033,703	1,861,797
	$3,690,404	$3,338,832	$3,100,768

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	1981	1980	1979
Current liabilities:			
Notes payable (Note E)	$ 141,208	$ 116,679	$ 136,792
Current obligations under capital leases	46,384	44,855	44,273
Current maturities of notes and debentures	10,406	5,880	7,223
Accounts payable	868,143	726,429	676,263
Accrued salaries and wages	136,628	129,457	110,928
Other accrued expenses	128,075	102,074	86,142
Income taxes payable	21,912	30,108	19,599
Total current liabilities	1,352,756	1,155,482	1,081,220
Long-term debt:			
Obligations under capital leases (Note F)	809,393	844,011	846,179
Notes and debentures (Note G)	328,223	207,218	109,477
	1,137,616	1,051,229	955,656
Deferred income taxes	8,339	—	—
Accrued claims and other liabilities	80,939	68,023	51,278
Commitments and contingencies (Notes B, F, H & I)			
Stockholders' equity (Notes G, J & K):			
Common stock—$1.66⅔ par value			
Authorized 75,000,000 shares			
Outstanding 26,115,917 shares	43,527	43,527	43,527
Additional paid-in capital	63,436	63,436	63,436
Retained earnings	1,003,791	957,135	905,651
	1,110,754	1,064,098	1,012,614
	$3,690,404	$3,338,832	$3,100,768

Note A — Summary of Significant Accounting Policies.

Fiscal Year:
The fiscal year for the Company and its Canadian subsidiaries ends on the Saturday nearest to December 31. Fiscal years of overseas subsidiaries follow a similar pattern but generally end on the Saturday nearest September 30, to allow sufficient time to gather information from overseas for U.S. reporting purposes.

Basis of Consolidation:
Consolidated financial statements include the accounts of all subsidiaries except a minor overseas subsidiary which is included in investments at the amount of equity in net book value. All intercompany transactions have been eliminated in consolidation. Investments in affiliates which are not majority owned are included in the financial statements at the Company's equity therein.

Interest Expense:
Beginning in 1980 interest cost incurred in connection with construction in progress was capitalized in accordance with the provisions of Statement of Financial Accounting Standards No. 34.

Translation of Foreign Currencies:
Accounts are translated at current and historical rates as prescribed by Statement of Financial Accounting Standards No. 8. Unrealized gains and losses from such foreign currency translation are included in income currently.

Provision For Income Taxes:
The Company provides for deferred income tax charges and credits resulting from timing differences in the recognition of income and expenses for financial reporting and income tax purposes. These timing differences arise primarily from the use of accelerated depreciation for tax purposes and from the accrual of claims and capitalization of leases for financial statement purposes. The provision for U.S. income taxes is reduced for investment tax credits in the year in which the credits arise.

Net Income Per Share:
Net income per share is determined by dividing consolidated net income by the average number of common shares outstanding during the year.

Merchandise Inventories:
In the U.S., inventories of grocery department items in stores and warehouses are determined on a last-in, first-out (LIFO) basis. All other inventories are valued at the lower of cost on a first-in, first-out (FIFO) basis or replacement market. As supplemental information, if only the FIFO method had been used, net income would have been approximately $10,123,000 higher ($.39 per share) in 1981, $22,734,000 higher ($.87 per share) in 1980 and $22,296,000 higher ($.85 per share) in 1979.

Application of the LIFO method reduced pre-tax earnings by $20,246,000 for 1981, while for the 36 weeks ended September 12, 1981 pre-tax earnings had been reduced by $32,400,000 based on then current estimates of year-end inventory costs and quantities. Thus, fourth quarter 1981 pre-tax earnings were increased by an adjustment to reflect the actual impact of the LIFO method for the year as determined at year-end.

Excess Cost of Investment in Subsidiaries:
The excess cost of investment in subsidiaries over net assets at the date of acquisition is being amortized and charged against income on a straight-line basis over twenty years.

Property and Depreciation:
Property is stated at historical cost. Depreciation is computed for financial reporting purposes on the straight-line method. The following are the principal rates of depreciation used during the year:

Stores and other buildings	2½ to 5%
Fixtures and equipment	5 to 20%
Transport equipment	12½ to 16⅔%

Leasehold improvements include buildings constructed on leased land and improvements to leased buildings. Buildings and major improvements are amortized over the shorter of the remaining period of the lease or the estimated useful lives of the assets, while minor improvements are amortized over the shorter of the remaining period of the lease or six years.

Property under capital leases is amortized over the terms of the leases. Accumulated amortization of property under capital leases was $482,671,000, $469,532,000 and $447,938,000 at year-ends 1981, 1980 and 1979, respectively.

Depreciation and amortization expense for property of $227,785,000 in 1981, $206,048,000 in 1980 and $183,632,000 in 1979 included amortization of property under capital leases of $55,934,000, $55,899,000 and $52,514,000, respectively.

Stock Options:
Proceeds from the sale of common stock issued under options are added to common stock at par value and the excess is added to additional paid-in capital.

Note B — Employee Retirement and Profit-sharing Plans.

The Company and its subsidiaries have contributory, trusteed retirement plans, which may be amended or terminated at any time, for eligible employees not covered by other plans to which the companies contribute. The Company also has a supplemental pension plan for senior executives. The aggregate charges to income for all such plans were $18,815,000 in 1981, $22,395,000 in 1980 and $21,114,000 in 1979. The Company's practice is to contribute the full normal cost each year as determined using the aggregate method. The aggregate method does not deal separately with past service cost, but includes such cost in the normal cost; accordingly, there is no unfunded past service liability.

The actuarial present values of accumulated plan benefits at December 31, 1980 and December 31, 1979 for the U.S. Retirement Plan were $157,288,000 and $150,195,000 as to vested benefits and $2,499,000 and $2,770,000 as to non-vested benefits, respectively. The net assets available for benefits at those dates amounted to $311,483,000 and $247,088,000, respectively. The assumed rate of return was increased from 7% to 8% for determining the normal cost and the actuarial present value of accumulated plan benefits at December 31, 1980. This increase reflected improved returns earned on plan assets in recent years and anticipated in the future. The higher assumed rate reduced the computed normal cost and resulting charge to income for 1981 by $6,464,000, increasing 1981 net income by approximately $3,232,000 ($.12 per share).

The Company's foreign retirement plans and supplemental pension plan for senior executives are not required to report to U.S. governmental agencies pursuant to the Employee Retirement Income Security Act. Accordingly, the actuarial present value of accumulated plan benefits has not been determined for those plans. The net assets of foreign plans are sufficient to fund vested benefits. The Company has purchased cost-recovery life insurance to fund its obligations under the supplemental pension plan for senior executives.

Contributions charged to income for various pension plans under union contracts were $106,394,000 in 1981, $99,131,000 in 1980 and $88,765,000 in 1979. In 1980, U.S. legislation established new obligations for employers that participate in multi-employer pension plans. Generally, the legislation requires a company to continue funding its proportional share of a plan's unfunded vested benefits in the event of withdrawal (as defined by the legislation) from a plan or plan termination. The Company participates in approximately 80 multi-employer pension plans and the potential obligation as a participant in these plans may be significant. However, the information required to determine the total amount of this contingent obligation, as well as the total amount of accumulated benefits and net assets of such plans, is not readily available.

Contributions charged to income for the Company's U.S. and Canadian employee profit-sharing plans were $8,747,000 in 1981, $11,775,000 in 1980 and $7,765,000 in 1979.

The Company set aside $2,073,000 in 1981, $2,070,000 in 1980 and $1,765,000 in 1979 for contribution to a U.S. employee stock ownership plan which was made possible by additional investment tax credits authorized by tax legislation.

Note C — Interest Expense.

Interest expense consisted of the following (in thousands):

	1981	1980	1979
Obligations under capital leases	$ 73,045	$ 73,057	$67,411
Notes and debentures	30,433	17,749	9,204
Short-term borrowings	25,206	16,883	12,309
Other	2,707	1,734	2,352
	131,391	109,423	91,276
Less capitalized interest	10,998	9,809	—
	$120,393	$ 99,614	$91,276

Note D — Taxes on Income.

The components of the provision for income taxes included in the consolidated statement of income were as follows (in thousands):

	1981	1980	1979
Current:			
Federal (benefit)	$(10,886)	$13,590	$37,004
Foreign	68,731	52,643	34,810
State	4,400	7,343	7,668
	62,245	73,576	79,482
Deferred:			
Federal and state (charges)	479	(2,198)	1,109
Foreign (charges)	(4,662)	3,166	865
	(4,183)	968	1,974
	$ 58,062	$74,544	$81,456

The following represent the tax effects of the principal items for which treatment for financial statement and income tax purposes differ, giving rise to timing differences (in thousands).

	1981	1980	1979
Accelerated depreciation	$12,717	$9,897	$6,800
Accrued claims	(10,264)	(5,842)	(837)
Retirement plan	—	—	6,073
Capitalized leases	(4,985)	(4,878)	(4,433)
Other, net	(1,651)	1,791	(5,629)
	$(4,183)	$ 968	$1,974

In 1981 and 1980, distributions were made to the parent Company from current earnings of certain foreign subsidiaries and provision has been made for any income taxes payable on such distributions. No provision has been made for income taxes which might be payable if earnings not yet distributed through year-end 1981 were distributed to the parent Company, since it is the intention of Management to make no such distributions. The undistributed earnings on which the parent Company has not provided for income taxes were $573,648,000, $489,790,000 and $426,213,000 at year-ends 1981, 1980 and 1979, respectively.

United States and Canadian corporation income tax returns for all years prior to 1976 have been reviewed by taxing jurisdictions. Substantially all deductions which have been or may ultimately be disallowed will be carried forward as timing differences and claimed as deductions in future years, thereby having no significant effect on reported earnings.

The Company's effective income tax rate as a percentage of pre-tax income varies from the statutory Federal income tax rate as shown below:

	1981	1980	1979
Federal income taxes at statutory rate	46.0%	46.0%	46.0%
Investment tax credit	(10.1)	(9.1)	(7.0)
Translation of foreign currencies	(2.3)	1.5	.4
United Kingdom inventory relief*	(2.0)	(1.8)	(5.4)
State taxes on income, less Federal income tax benefit	1.4	2.0	1.9
Other, net	.6	(.2)	.3
	33.6%	38.4%	36.2%

*In 1979 the Company discontinued providing deferred income taxes for United Kingdom "stock relief" tax benefits no longer subject to recapture under revisions of United Kingdom tax law. Accordingly, deferred income taxes of $7,979,000 (3.5% of 1979 pre-tax income) provided in years prior to 1979 were reversed in 1979.

Note E — Lines of Credit and Short-term Borrowings.

At year-end 1981 the Company had lines of credit amounting to $492,000,000, of which $350,000,000 were with U.S. banks. Compensating balances in support of these lines of credit were not material and there were no legal restrictions on withdrawals for any accounts. There were no borrowings under these lines in 1981.

The Company issues commercial paper notes of which $235,000,000 were outstanding at year-end 1981. Of this amount, $155,000,000 was classified as a long-term obligation (see Note G) and $80,000,000 was included in notes payable.

The Company has access to an additional $504,000,000 in short-term money market credit facilities with various banks, subject to availability at the lender's option. No commitment fees or compensating balances are required under these facilities and $10,000,000 of such borrowings were outstanding at year-end 1981.

All short-term borrowings and commercial paper notes have been at the prime rate of interest or lower.

Additional amounts included in notes payable represent short-term commercial loans and bank overdraft financing by the Company's foreign subsidiaries.

Note F — Lease Obligations.

The Company and its subsidiaries occupy primarily leased premises, which were covered by 3,500 leases at year-end 1981. Of these leases 1,742 are considered capital under Statement of Financial Accounting Standards No. 13. The remainder are operating leases.

Most leases have renewal options with terms and conditions similar to the original lease. Of all the leases, 1,555 can be cancelled by the Company by offer to purchase the properties at original cost less amortization, with purchase obligatory upon acceptance of the offer by the lessor.

The Company owns most of its fixtures and equipment.

The following is a schedule by years of future minimum rental payments required under capital leases and under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of year-end 1981 (in thousands):

	Capital Leases	Operating Leases
1982	$ 118,888	$ 97,284
1983	115,956	93,450
1984	113,261	90,759
1985	109,949	84,366
1986	106,595	79,712
Later years	980,372	899,543
Total minimum lease payments	1,545,021	$1,345,114
Less executory costs	22,657	
Net minimum lease payments	1,522,364	
Less amount representing interest	666,587	
Present value of net minimum lease payments	855,777	
Less current obligations	46,384	
Long-term obligations	$ 809,393	

In addition to minimum lease payments, contingent rentals may be paid under certain store leases on the basis of the stores' sales in excess of stipulated amounts. Contingent rentals on capital leases amounted to $10,298,000 in 1981, $7,887,000 in 1980, and $7,667,000 in 1979.

The following schedule shows the composition of total rental expense for all operating leases (in thousands):

	1981	1980	1979
Property leases:			
Minimum rentals	$121,776	$ 97,484	$78,151
Contingent rentals	8,899	7,972	8,006
Less rentals from subleases	(7,710)	(6,036)	(5,619)
	122,965	99,420	80,538
Equipment leases	21,781	19,182	15,631
	$144,746	$118,602	$96,169

Note G — Notes and Debentures.

Notes and debentures at year-end 1981 consisted of (in thousands):

	Due After One Year	Current Maturities
Mortgage notes payable, secured	$101,178	$ 6,264
7.40% sinking fund debentures, unsecured, due in installments through 1997	41,230	—
Commercial paper	155,000	—
Industrial development revenue bonds	6,221	—
Other notes payable, unsecured	24,594	4,142
	$328,223	$10,406

The mortgage notes payable are secured by properties which are included in the balance sheet at their net book value of $101,681,000.

The 7.40% debentures require annual sinking fund payments of $3,250,000. The Company has repurchased debentures which cover $10,770,000 of future sinking fund requirements remaining at year-end 1981. Under the agreement covering the 7.40% debentures, $530,022,000 of the retained earnings as of year-end 1981 were free of restrictions for dividend payments and acquisitions of common stock. Restrictions include a limitation on the creation of additional funded debt.

During 1980 and 1981, the Company entered into revolving credit agreements aggregating $155,000,000 with a number of banks. These agreements expire on July 16, 1984 ($75,000,000) and October 31, 1985 ($80,000,000). The Company pays a commitment fee of ¼% per year on the unused portion. There were no funds borrowed under these agreements in 1980 or 1981; accordingly, $155,000,000 and $75,000,000 of commercial paper outstanding at year-ends 1981 and 1980, respectively, have been classified as a long-term obligation.

In 1981 the Company completed industrial development revenue bond financings of $26,950,000, of which $6,221,000 has been released to the Company as of year-end 1981. The bonds have terms ranging from 10 to 25 years and bear interest at 11¼% to 13⅜%.

Aggregate annual maturities of notes and debentures for the four years beyond 1982 are (in thousands):

1983	$15,857
1984	82,730
1985	89,957
1986	21,914

Note H — Commitments.

The Company has commitments under contracts for the purchase of property and equipment and for the construction of buildings. Portions of such contracts not completed at year-end are not reflected in the financial statements. These unrecorded commitments amounted to approximately $79,000,000 at year-end 1981.

Note I — Contingent Liabilities — Litigation.

In addition to various claims and lawsuits arising in the normal course of the Company's business, as of March 5, 1982, there are actions pending against the Company charging violations of the antitrust laws and certain Civil Rights statutes, some of which purport to be class actions and seek damages in very large amounts, as well as other relief which, if granted, would require very large expenditures.

Prior Annual Reports noted the pendency of 18 suits brought against the Company and others by various livestock producers and feeders alleging violations of the antitrust laws in the purchase and sale of meat (and of one similar suit in which the Company was named as a co-conspirator). In 10 cases the defendants have sought a District Court determination that the actions may not continue under the "cost plus" exception to the U.S. Supreme Court's holding in the *Illinois Brick* case that only those dealing directly with defendants could recover damages under the antitrust laws. Of the remaining 8 cases, 7 in the U.S. District Court are in early stages of discovery, and 1 dismissed by the District Court was refiled in a State Court and is on appeal from dismissal by that Court.

While Management is unable to predict the ultimate outcome of these antitrust cases, in its opinion, the Company has good and meritorious defenses to each action and should prevail in all.

Although the amount of liability at year-end 1981 with respect to all of the above matters cannot be ascertained, Management is of the opinion that any resulting liability will not materially affect the Company's consolidated income or financial position.

Note J — Capital Stock and Additional Paid-in Capital.

The Company has 220,372 shares of authorized and unissued preferred stock with a $100 par value. The following summary shows the changes during 1979, 1980 and 1981 in common stock outstanding and treasury shares, and the changes in common stock and additional paid-in capital (dollars in thousands):

	Common Stock			Additional
	Shares Outstanding	Shares in Treasury	Amount Outstanding	Paid-in Capital
Balance, year-end 1978	26,096,966	12,582	$43,495	$62,690
Stock options exercised, 1979	19,970	—	34	744
Shares reacquired by Company, 1979	(1,019)	1,019	(2)	2
Balance, year-ends 1979, 1980 and 1981	26,115,917	13,601	$43,527	$63,436

Note K — Stock Options.

The following summary shows the changes during 1979, 1980 and 1981 in stock options granted to key employees to purchase shares of the Company's common stock:

	Shares	Option Price
Balance, year-end 1978	518,800	$34.88 - 47.88
Granted, 1979	67,700	40.13
Exercised, 1979	(19,970)	34.88 - 39.44
Expired, 1979	(73,930)	34.88 - 47.88
Balance, year-end 1979	492,600	40.13 - 47.88
Expired, 1980	(13,250)	40.13 - 47.88
Balance, year-end 1980	479,350	40.13 - 47.88
Replaced, 1981	(479,050)	40.13 - 47.88
Granted, 1981	603,650	31.63
Expired, 1981	(9,100)	31.63 - 46.13
Balance, year-end 1981	594,850	31.63 - 47.88

A new nonqualified stock option plan was approved and adopted in 1981 to supersede the prior plan. The new plan authorized issuance of 1,500,000 shares of the Company's common stock, which included 511,290 shares reserved for issuance or grant under the prior plan. Options under the new plan were granted February 11, 1981 for 603,650 shares, effective upon the optionees' surrender of options covering 479,050 shares under the prior plan.

At year-end 1981, there were 905,150 unoptioned shares available for granting under the new plan, and none of the outstanding unexercised options were exercisable. The option price of the February 11, 1981 grant was $31.63 and all such options granted expire on February 11, 1991.

A new incentive stock option plan was adopted February 10, 1982, subject to stockholder approval at the 1982 annual meeting.

Note L — Supplementary Information on Inflation and Changing Prices (unaudited).

The supplementary information represents estimates of the effects of inflation on the Company's financial statements using two experimental approaches prescribed by Statement of Financial Accounting Standards No. 33.

The first approach, constant dollar accounting, estimates the effect of general inflation by expressing certain historical cost amounts in dollars of 1981 purchasing power, as measured by the Consumer Price Index for All Urban Consumers (CPI-U). This measure of general inflation encompasses a wide range of commodities and is not necessarily representative of the impact of inflation on the Company's operations.

The second approach, current cost accounting, attempts to measure the effect of changes in specific prices by adjusting historical costs to amounts which approximate the current costs to the Company of producing or replacing inventories and property.

The computed net income or loss for 1981 under these methods includes adjustments to merchandise costs and depreciation and amortization expense. The effects of inflation on merchandise costs have already been recognized in the historical financial statements to the extent that the LIFO method of accounting is used for approximately 60% of merchandise inventories. The constant dollar adjustments are greater than the current cost adjustments for both merchandise costs and depreciation and amortization expense due to the higher rate of increase of the CPI-U for 1981 as compared with the Company's specific price indices.

The provision for income taxes does not reflect the constant dollar or current cost adjustments to merchandise costs or depreciation and amortization expense. This points out the economic burden of taxation in that the Company expects to pay taxes on reported income even though a pre-tax loss is indicated under the constant dollar approach and pre-tax income is less than the provision for income taxes under the current cost method.

The "gain from the change in purchasing power of net monetary liabilities" represents the gain in general purchasing power, as measured by the CPI-U, realized by the Company as monetary liabilities are paid with dollars of decreased purchasing power. This gain should be considered a partial offset to interest expense as interest rates reflect the anticipated rate of inflation. Also, since the inflation-adjusted net income or loss includes adjustments for the effect of inflation on inventories and property which are financed by monetary liabilities, the effect of inflation on the related liabilities should also be considered. Thus, net income including the "gain from the change in purchasing power of net monetary liabilities" may be a more comprehensive measure of inflation-adjusted operating results.

In 1981 the current costs of merchandise inventories and property increased by $180 million, whereas those assets increased by $417 million when measured in constant dollars. Thus, the year's increase in constant dollar value of inventories and property exceeded the increase in current costs

by $237 million, indicating the higher rate of general inflation than the rate of increase in the Company's specific price indices for those items. At year-end 1981, the current cost of merchandise inventories was $1,501 million and the current cost of net property was $3,317 million.

The five-year summary of inflation-adjusted data shows amounts stated in dollars of 1981 average purchasing power based on the CPI-U. Sales for 1981 appear to have declined from 1980 sales as adjusted by the CPI-U. However, if 1980 sales were instead adjusted by the CPI-U "food at home" index and adjusted to a comparable 52 weeks, the sales increase for 1981 would have been over 4%.

Both the constant dollar and current cost methods involve the use of assumptions, estimates and subjective judgments and the results should not be viewed as precise measurements of the effects of inflation.

Supplementary Financial Data Adjusted for the Effects of Changing Prices (millions)

	1981		
	As Reported in the Statement of Income	Adjusted for General Inflation	Adjusted for Changes in Specific Prices (Current Costs)
Sales	$16,580	$16,580	$16,580
Cost of sales	12,946	13,045	13,020
Other expenses, net	3,461	3,556	3,544
Income (loss) before provision for income taxes	173	(21)	16
Provision for income taxes	58	58	58
Net income (loss)	$ 115	(79)	(42)
Gain from the change in purchasing power of net monetary liabilities		182	182
Net income including gain in purchasing power		$ 103	$ 140
Depreciation and amortization expense*	$ 229	$ 359	$ 342

*Allocated between cost of sales and other expenses in the determination of net income or loss.

Five-Year Comparison of Selected Financial Data Adjusted for the Effects of Changing Prices
(In Dollars of 1981 Average Purchasing Power, Using CPI-U)

	1981	1980	1979	1978	1977
Sales	$16,580	$16,669	$17,188	$17,496	$16,883
Historical cost information adjusted for general inflation:					
Net income (loss)	(79)	(58)	(3)	58	32
Net income (loss) per share of common stock	(3.03)	(2.24)	(.10)	2.24	1.25
Net income including gain in purchasing power	103	178	251	232	164
Net assets at year-end	2,295	2,306	2,266	2,164	2,076
Current cost information:					
Net income (loss)	(42)	(51)	(9)	14	28
Net income (loss) per share of common stock	(1.62)	(1.95)	(.36)	.52	1.05
Net income including gain in purchasing power	140	185	245	188	160
Net assets at year-end	2,459	2,623	2,527	2,423	2,278
Increase in the current costs of merchandise inventories and property over (under) the increase due to general inflation	(237)	(18)	(42)	65	111
Other information:					
Gain from the change in purchasing power of net monetary liabilities	182	236	254	174	132
Cash dividends per share of common stock	2.60	2.87	3.26	3.21	3.30
Market price per share of common stock at year-end	25.64	32.94	40.88	54.04	60.56
Average Consumer Price Index (CPI-U)	272.4	246.8	217.4	195.4	181.5

Note: Dollars are in millions except per share figures.

Note M — Financial Information by Geographic Area (thousands).

	United States*		
	1981	1980	1979
Sales	$12,491,852	$11,518,993	$10,765,831
Gross profit	2,815,057	2,576,021	2,342,298
Operating and administrative expenses	2,688,571	2,424,175	2,147,143
Operating profit	126,486	151,846	195,155
Income before provision for income taxes	21,050	70,283	122,047
Provision for income taxes	(6,007)	18,735	47,077
Net income	27,057	51,548	74,970
Net working capital (deficit) including merchandise inventories at FIFO cost	242,131	224,071	193,252
Less LIFO reductions	276,339	256,093	210,626
Net working capital (deficit)	(34,208)	(32,022)	(17,374)
Total assets	2,640,537	2,463,521	2,345,006
Net assets	532,185	566,909	567,036

*Reflects the LIFO method of valuing certain inventories.

Note N — Quarterly Information (unaudited).

	First 12 Weeks			Second 12 Weeks		
	1981	1980	1979	1981	1980	1979
Sales	$3,589,307	$3,255,936	$3,029,772	$3,781,112	$3,352,564	$3,130,649
Gross profit	789,859	679,185	644,974	819,552	743,573	685,059
Net income	20,550	12,457	23,094	25,578	37,722	42,516
Net income per share	.79	.48	.88	.98	1.44	1.63
Dividends paid per share	.65	.65	.65	.65	.65	.65
Market price range of common stock	37¾ – 29⅝	36¼ – 27½	44 – 40¼	37 – 32¼	33¾ – 27⅝	44 – 34⅜

Note: Dollars are in thousands except per share figures. Dividends are for calendar quarters.
*See Note A — Merchandise Inventories

Note O — Changes in Working Capital (thousands).

	1981	1980	1979
Increase (decrease):			
Cash	$ (71,683)	$ 17,886	$(38,659)
Receivables	15,547	(3,461)	7,990
Merchandise inventories	206,901	30,758	56,826
Prepaid expenses and other current assets	45,207	15,234	(1,733)
Notes and obligations payable	(30,584)	20,874	(83,069)
Payables and accruals	(174,886)	(84,627)	(65,263)
Income taxes payable	8,196	(10,509)	37,309
Decrease in working capital	$ (1,302)	$(13,845)	$(86,599)

Accountants' Report **Peat, Marwick, Mitchell & Co.**

To the Board of Directors and Shareholders
of Safeway Stores, Incorporated:

We have examined the consolidated balance sheet of Safeway Stores, Incorporated and subsidiaries as of January 2, 1982, January 3, 1981 and December 29, 1979 and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Safeway Stores, Incorporated and subsidiaries at January 2, 1982, January 3, 1981 and December 29, 1979 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Oakland, California
March 5, 1982

	Canada			Overseas	
1981	1980	1979	1981	1980	1979
$2,404,972	$2,190,917	$1,865,524	$1,683,494	$1,392,763	$1,086,506
504,090	448,886	373,159	314,681	260,625	208,530
412,805	359,576	301,076	264,168	216,876	172,196
91,285	89,310	72,083	50,513	43,749	36,334
102,095	89,553	70,693	49,473	34,076	32,039
47,011	42,761	31,648	17,058	13,048	2,731
55,084	46,792	39,045	32,415	21,028	29,308
185,745	160,086	154,638	(40,090)	(15,315)	(10,670)
629,059	537,088	488,403	420,808	338,223	267,359
445,609	390,347	353,489	132,960	106,842	92,089

	Third 12 Weeks			Last 16/17 Weeks	
1981	1980	1979	1981*	1980	1979
$3,943,663	$3,491,539	$3,199,454	$5,266,236	$5,002,634	$4,357,986
851,030	768,161	681,502	1,173,387	1,094,613	912,452
20,845	27,291	41,306	47,583	41,898	36,407
.80	1.05	1.58	1.82	1.60	1.40
.65	.65	.65	.65	.65	.65
33½ – 26	34¾ – 30	41¼ – 36	28 – 24½	34¼ – 26	39¾ – 33⅝

Management's Responsibility for Financial Statements

The consolidated financial statements of Safeway Stores, Incorporated and its subsidiaries have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and include amounts that are based on Management's best estimates and judgments. Management is responsible for the integrity and objectivity of the data in these statements. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

To fulfill its responsibilities, Management has developed and maintained a strong system of internal accounting controls. There are inherent limitations in any control system in that the cost of maintaining a control should not exceed the benefits to be derived. However, Management believes the controls in use are sufficient to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records are reliable for preparing the financial statements. The controls are supported by careful selection and training of qualified personnel, by the appropriate division of responsibilities, by communication of written policies and procedures throughout the Company, and by an extensive program of internal audits.

Peat, Marwick, Mitchell & Co., independent certified public accountants, whose report follows the consolidated financial statements, are engaged to provide an independent opinion regarding the fair presentation in the financial statements of the Company's financial condition and operating results. They obtain an understanding of the Company's systems and procedures and perform tests of transactions and other procedures sufficient to provide them reasonable assurance that the financial statements are neither misleading nor contain material errors.

The Board of Directors, through its Audit Committee composed of outside Directors, is responsible for assuring that Management fulfills its responsibilities in the preparation of the financial statements. The Board, on the recommendation of the Audit Committee and in accordance with stockholder approval, selects and engages the independent public accountants. The Audit Committee meets with the independent accountants to review the scope of the annual audit and any recommendations they have for improvements in the Company's internal accounting controls. To assure independence, the independent accountants have free access to the Audit Committee and may confer with them without Management representatives present.

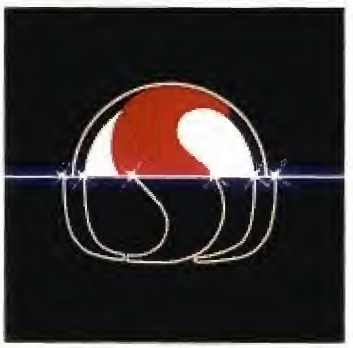
THE NEW SAFEWAY

With the New Year emerged the new symbol. One of the world's most familiar trademarks had been slimmed down.

The svelte, contemporary Safeway "S" (matched with a new style of lettering) speedily made its debut on television, in newspapers, in magazines, and in other media. Implementation of other applications is proceeding.

This first change in nearly 30 years is being well-received by the public, according to early market studies, a confirmation that something exciting is happening at Safeway.

Landor Associates, an experienced firm in the field of corporate identity evaluation and design, was selected to conduct an "External Image Study" and to develop the customer-oriented design modifications which resulted. The new style lettering and insigne received high ratings among consumers as typifying the contemporary type of store which will best anticipate and respond to consumer shopping needs in the 1980's. One of the conclusions: "It's a warm, youthful outlook!"



Directors

John F. Bookout
President & Chief Executive Officer
Shell Oil Company

Percy Chubb, III
Executive Vice President
The Chubb Corporation
(Property and Life Insurance)

Charles de Bretteville
Retired Chairman and
Chief Executive Officer
The Bank of California, N.A.

Malcolm P. Grover
Retired Senior Vice President

James R. Harvey (elected 2/10/82)
President & Chief Executive Officer
Transamerica Corporation
(Insurance, Financial Services,
Travel, Manufacturing)

Edward N. Henney
Senior Vice President

Mary Gardiner Jones
Vice President—Consumer Affairs
Western Union Telegraph Company

Marjorie S. Kinney
Senior Vice President
Beverly Hills Savings

Roger D. Lapham, Jr.
Chairman & Managing Director
RAMA Corporation Ltd.
(Insurance Brokerage)

Dale L. Lynch
President and Chief Operating Officer

Merrill L. Magowan
President
Magowan Investment Co.
(Investment Adviser)

Peter A. Magowan
Chairman and Chief Executive Officer

W. S. Mitchell
Chairman of the Executive Committee

James A. Rowland
Senior Vice President

Harry D. Sunderland (elected 2/10/82)
Senior Vice President

William H. Webster
President
Webster Feed Lots

Brayton Wilbur, Jr.
Executive Vice President
Wilbur-Ellis Company
(Importing & Exporting)

W. Maurice Young (resigned 12/7/81)
Chairman and Chief Executive Officer
Finning Tractor and Equipment
Company, Ltd.
(Caterpillar Dealership)

Executive Officers

Peter A. Magowan
Chairman
and Chief Executive Officer

Dale L. Lynch
President
and Chief Operating Officer

F. J. Dale (effective 3/28/82)
Vice President
Controller

Clifford L. Gant (retired 3/31/82)
Vice President
Controller and Treasurer

Edward N. Henney
Senior Vice President
Supply Operations

Philip G. Horton
Vice President
Real Estate, Industrial Design and
Construction, Retail Engineering,
Warehouse and Transportation Services

Neils V. Lawson
Senior Vice President (elected 2/10/82)
Management Information and Services

John H. Prinster
Senior Vice President—Marketing

John L. Repass
Senior Vice President
Personnel and Industrial Relations

James A. Rowland
Senior Vice President—Retail

Harry D. Sunderland
Senior Vice President—Finance
Treasurer (effective 3/28/82)

Robert J. Van Gemert
Senior Vice President—Law
Secretary and General Counsel

Other Officers

Vice Presidents—Retail
John Bell
Burton R. Bolesworth
Donald R. Cannon
John A. Cartales
Gerald V. Curtright
Carey A. Ford
Allen Francis
Albert J. Fulton
Donald Gates
John S. Kimball
William M. Langley
Gene J. Lawson
William D. Lowe
Fred E. MacRae
William H. Maloney
Pete P. Martin
John R. Maxwell
Donald J. Phillips
Sam E. Raburn
Donald J. Smith
James R. Smith
Eldon W. Starkey
Ralph C. Ward
John W. Warthan
Forrest Woolery

Vice Presidents—Supply
J. L. Alm (elected 2/10/82)
Roland Frederick
John D. Lyding
Harold T. Nelson
Walter J. Schoendorf
Thomas C. Terry
Loyd J. Fox (deceased 2/2/82)

Vice Presidents—Service
Paul A. Baumgart
Gerald E. Brown
Gaylord H. Hanson
Gordon W. Jones
Horace A. Justice
Milton K. Kegley
William W. Liedtke
Robert M. Lyness
George D. Marshall
John L. Morris
Harvey Naito (effective 3/28/82)
Calvin P. Pond
John L. Prehn
Bernat Rosner
Frank D. Srubar
Patrick S. Totman
Ronald F. Zachary

Foreign Subsidiary Operations

Canada Safeway Limited

A. G. Anselmo
Chairman,
President and Chief Executive Officer

Vern E. Fahey
Vice President and
Retail Division Manager

Norman D. Fingler
Vice President and
Retail Division Manager

R. F. Hendy
Vice President and
Retail Division Manager

Robert H. Kinnie
Vice President and
Retail Division Manager

N. M. Knebel
Vice President and
Retail Division Manager

D. L. Olson
Vice President and
Retail Division Manager

Safeway Food Stores Limited
(United Kingdom)

T. E. Spratt
Chairman, Managing Director and
Retail Division Manager

Australian Safeway Limited

J. W. R. Pratt
Chairman, Managing Director and
Retail Division Manager

"Safeway" Supermarkt GmbH
(West Germany)

Manfred J. Filzek
Geschäftsführer and
Retail Division Manager

Johs. Esmarch's Eftf. A/S
(Denmark)

Niels Norregaard
General Manager

Safeway Stores, Incorporated
Oakland, CA 94660

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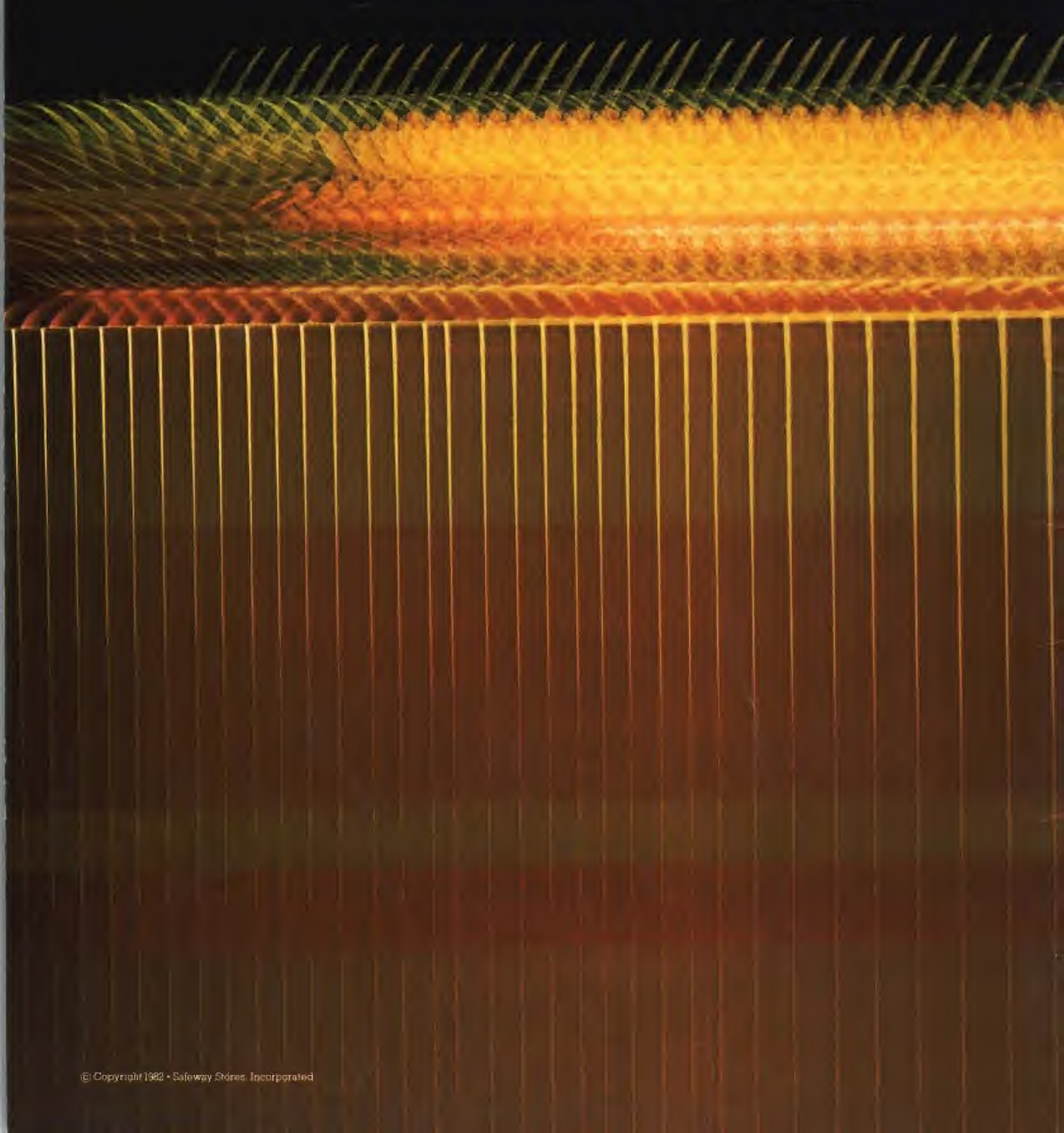

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